

Message Text

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ORIGIN STR-06

INFO OCT-02 EA-10 ISO-00 AGRE-00 COME-00 LAB-04 SIL-01
TRSE-00 CEA-01 CIAE-00 DODE-00 EB-08 FRB-03 H-01
INR-07 INT-05 L-03 NSAE-00 PA-01 CTME-00 AID-05
SS-15 ITC-01 PRS-01 SP-02 SOE-02 OMB-01 DOE-11
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APPROVED BY STR:RRIVERS
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TREASURY:JMURPHY

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FM SECSTATE WASHDC
TO AMEMBASSY TOKYO IMMEDIATE

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E.O. 11652: N/A

TAGS: ETRD, JA

SUBJECT: LEATHER

1. DURING MEETING WITH MINISTER KOMOTO, AMBASSADOR STRAUSS SUGGESTED THAT IN A FEW WEEKS A MITI OFFICIAL MIGHT COME TO WASHINGTON ON A LOW VISIBILITY VISIT TO EXPLORE POSSIBLE SOLUTION TO PENDING 301CASE ON LEATHER. DURING INFORMAL CONVERSATION, KURODA AND KAWASAKI (AMERICAN DESK OFFICER) SEPARATELY INDICATED THAT THERE IS SOME FLEXIBILITY IN JAPANESE POSITION. KURODA SAID THAT CERTAIN LEATHER PRODUCTS COULD BE CONSIDERED FOR PARTIAL OR COMPLETE LIMITED OFFICIAL USE

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LIBERALIZATION.

2. WE BELIEVE THAT THERE IS A POSSIBILITY FOR SOLUTION BASED ON (A) IMPROVEMENT IN ADMINISTRATION OF QUOTAS AND (B) GRADUAL OR COMPLETE LIBERALIZATION OF QR'S ON CERTAIN PRODUCTS. WITH RESPECT TO (A), LEATHER INDUSTRY BLAMES IN PART THE ADMINISTRATIVE DIFFICULTIES FOR THEIR INABILITY

TO FILL THE PRESENT QUOTA. SOME OF THOSE ADMINISTRATIVE DIFFICULTIES INCLUDE (1) HOLDING PRODUCTS IN CUSTOMS FOR AN UNDUE AMOUNT OF TIME, FOR EXAMPLE WET BLUES (SEMI-PROCESSED HIDES); (2) THE QUOTA SYSTEM WHICH RESULTS IN THE INABILITY TO KNOW WHO THE QUOTA HOLDERS ARE; (3) THE DIFFICULTY IN DETERMINING THE AMOUNT OF THE QUOTA, AND

(4) THE LARGE PREMIUM THAT FREQUENTLY MUST BE PAID IN ORDER TO BUY A QUOTA FROM NON-IMPORTING QUOTA HOLDERS. ALL OF THESE AND OTHER ADMINISTRATIVE OBSTACLES COULD BE SIGNIFICANTLY REDUCED IF THERE WERE A TYPE OF CENTRAL QUOTA BOARD OR OTHER CENTRAL LOCATION WHERE IMPORTERS COULD OBTAIN A QUOTA THAT WAS KNOWN TO ALL AND MADE AVAILABLE ONLY TO THOSE PERSONS WANTING TO IMPORT.

WE NOTE THAT THE REQUEST THAT WE UNDERSTAND MITI MADE FOR A LIST OF JAPANESE IMPORTERS CANNOT BE COMPLIED WITH BY THE U.S. TANNERS SINCE IN MANY INSTANCES IMPORTERS ARE NOT KNOWN IN THE UNITED STATES AND THERE IS LITTLE EXPERIENCE IN THE JAPANESE MARKET DUE TO PRESENT OBSTACLES TO TRADE.

3. U.S. TANNERS ARE WILLING TO DEVELOP AN ILLUSTRATIVE REPEAT ILLUSTRATIVE BUT BY NO MEANS COMPLETE LIST OF THE TYPES OF LEATHER THEY WOULD BE MOST INTERESTED IN SELLING IN THE JAPANESE MARKET AS A FIRST STEP AND WHICH THEY LIMITED OFFICIAL USE

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BELIEVE WOULD BE MARKETABLE WITH THE LEAST SIGNIFICANT INTERFERENCE WITH THE PRESENT JAPANESE SYSTEM. U.S. TANNERS ALSO VERY INTERESTED IN REDUCTION OF TARIFFS ON LEATHER GOODS. WE UNDERSTAND THROUGH OUR CONVERSATIONS

THAT THE JAPANESE ARE AT THIS POINT UNWILLING TO REDUCE TARIFFS. WE ALSO UNDERSTAND HOWEVER THAT THEY ARE WILLING TO DISCUSS THIS ISSUE AND WE BELIEVE THERE SHOULD BE DISCUSSIONS ON A REDUCTION OF TARIFFS ON THOSE ITEMS WHERE THE QUOTA WILL ALSO BE LIBERALIZED. WHILE U.S. TANNERS AND GOJ MAY DISAGREE ON THE IMPACT OF THE DEVALUATION ON U.S. COMPETITIVENESS IN THE JAPANESE MARKET (AND THEREFORE ON IMPACT OF A TARIFF REDUCTION) WE FEEL FURTHER DISCUSSIONS ON THIS ISSUE WOULD BE FRUITFUL.

4. AS A RESULT OF OUR DISCUSSIONS WE PLAN IN THE NEAR FUTURE TO MAKE AVAILABLE TO THE GOJ A PAPER SETTING FORTH ILLUSTRATIVELY SOME IDEAS ON IMPROVING ACCESS TO THE JAPANESE MARKET FOR SPECIFIC PRODUCTS OF INTEREST TO U.S. TANNERS.

5. MITI WANTS THIS INFORMATION CLOSELY HELD AND EVEN SUGGESTED THAT THE CONTACT POINT FOR OUR DISCUSSIONS INITIALLY BE MITI OFFICIALS IN WASHINGTON. WE NEVERTHE- LESS BELIEVE THAT EMBASSY SHOULD BE CONTACT IN FIRST PHASE. IF THIS POINT IS RAISED BY MITI YOU MAY INDICATE THAT YOU ARE MAKING THIS CONTACT AT OUR REQUEST, THAT THE EMBASSY IS NORMALLY THE CONTACT FOR SUCH MATTERS

AND NOTE THAT ALL DISCUSSIONS WILL BE HELD CONFIDENTIALLY BETWEEN U.S. AND MITI OFFICIALS.

6. EMBASSY SHOULD REVIEW STATUS OF ISSUE WITH MITI TO CONFIRM OUR UNDERSTANDING IS CORRECT. MITI OFFICIALS MAY BE TOLD THAT U.S. TANNERS ARE WORKING ON SOME PROPOSALS LIMITED OFFICIAL USE

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AND ATTEMPTING TO DEVELOP AN ILLUSTRATIVE LIST OF EXAMPLES OF TYPES OF LEATHER THEY FEEL THE U.S. CAN BEST SELL IN JAPAN WITH THE LEAST DISRUPTION OF THE PRESENT JAPANESE SYSTEM. EMBASSY SHOULD OBTAIN VIEWS OF MITI ON COMMITMENT TO FIND SOLUTION TO ADMINISTRATIVE PROBLEMS AND ALSO DETERMINE WHETHER MITI WILL ACCEPT U.S. EMBASSY CHANNEL, FOR COMMUNICATION AT THIS POINT RATHER THAN MITI WASHINGTON. IF GOJ BELIEVES ABOVE SCENARIO OFFERS POSSIBLE MEANS OF SOLUTION TO PROBLEM WE BELIEVE THAT A WORKING GROUP CONSISTING OF MITI OFFICIALS AND U.S. OFFICIALS, WITH HELP FROM U.S. TANNERS, COULD FRUITFULLY WORK ON SPECIFICS OF ANY POSSIBLE SOLUTION HERE IN WASHINGTON. WE WOULD HOPE SUCH A MEETING COULD BE ARRANGED WITHIN A MONTH.

7. IT IS WASHINGTON'S VIEW THAT U.S. DECISION TO CONTINUE DISCUSSION ON THIS ISSUE OR TO RESORT TO OTHER PROCEDURES WILL BE DETERMINED BY GOJ RESPONSE TO PRELIMINARY CONTACTS. FYI U.S. TANNERS ARE AT THIS POINT BEING EXTREMELY COOPERATIVE AND RECOGNIZE THE NEED TO ENTER THE MARKET IN JAPAN GRADUALLY. THEY BELIEVE HOWEVER, AS DOES WASHINGTON, THAT A PRESENT SOLUTION WOULD ONLY BE A FIRST STEP AND INTERIM TO OUR ULTIMATE GOAL WHICH IS THE LIBERALIZATION OF ALL QR'S AND OTHER TRADE BARRIERS WHICH INHIBIT ANY SIGNIFICANT MARKETING OF U.S. LEATHER IN JAPAN. WHILE TANNERS WILLING TO KEEP PRESENT DISCUSSIONS QUIET FOR THE TIME BEING WE BELIEVE THAT IF A INTERIM FIRST STEP IS NOT EVIDENT IN THE NEAR FUTURE PRESSURE WILL BUILD TO TAKE A MORE PUBLIC SOLUTION THROUGH OUR 301 PROCEDURES. VANCE

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Status: NATIVE
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TAGS: ETRD, JA
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